

**Statement by Senator John E. Sununu  
Before the Base Realignment and Closure Commission  
On Portsmouth Naval Shipyard: Corrected COBRA Analysis for  
Scenario DoN-0133  
Boston, Massachusetts, July 6, 2005**

Thank you, Senator Collins. Mr. Chairman and Commissioners, we deconstructed the Department of Defense's COBRA analysis for DoN-0133 – the scenario for closure of Portsmouth Naval Shipyard - based on the flaws outlined by previous presenters. In so doing, we identified from certified data the following major omissions.

- \$315.843 million in Recurring Costs
  - \$287.625 million for Portsmouth efficiencies lost through closure
  - \$ 28.218 million in recurring environmental and personnel costs
- \$293.653 million in one-time costs to close Portsmouth
  - \$260.725 million in one-time “unique costs”
  - \$ 32.918 million in military construction at Norfolk Naval Shipyard
- \$100.490 million in receiving costs at other naval shipyards

Using the DoD's own COBRA model, we found DoD understated the one-time cost to close the Portsmouth Naval Shipyard by \$293.551 million and overstated the Net Present Value (NPV) savings in 2025 by \$1.547 billion. Therefore, the closure of Portsmouth would not realize a savings until 2042, 30 years later than in 2012 as promised by DoD. BRAC Selection Criterion 5 requires consideration of “the extent and timing of potential costs and savings, including the number of years...for the savings to exceed the costs.” By excluding these significant costs and potential savings from efficiency, DoD substantially deviated from Criterion 5.

For a detailed explanation and sourcing of the preceding and following items and figures, I respectfully direct your attention to the appendix attached to my statement.

### **Portsmouth “Unique Costs,” Efficiencies and Recurring Costs**

Chart 1 outlines \$260.725 million in one-time “unique costs” (Question 18), \$287.625 million in savings from efficiencies at Portsmouth (Question 22), and \$28.218 million in recurring personnel and environmental costs (Question 26). As noted in the appendix to my testimony, the items and figures noted in Questions 18 and 26 are taken directly from certified data provided by Portsmouth but ultimately excluded by DoD in COBRA under scenario DoN-0133.

The \$287.625 million to be saved by Portsmouth efficiencies is included on the line titled “Question 22: Mission costs”. This was done in accordance with the *COBRA Users Manual*, page 30, which states “... the analyst/user should primarily consider whether the costs/savings are mission or support related. The most important thing is to capture all known costs/savings incurred with the realignment action.” Savings from Portsmouth efficiencies are not included in certified data as discussed in the appendix to my testimony. However, the \$287.625 million figure is certifiable, and absolutely should be considered in any credible COBRA analysis.

PNS DATA OMITTED:	2008	2009	2010	2011	TOTAL
Question 18: One time unique costs:					
Action 1 - Diver Rescue Chamber					\$2,691
Action 1 - Historical Preservation of Buildings					\$34,108
Action 1 - NMCI Closure Costs					\$10,600
Action 1 - Special Bldg Closure & Preservation					\$45,950
Action 1 - Transportation Equip - Inactivation					\$114
Action 1 - Non-Dera Environmental Compliance					\$9,643
Action 1 - Power Plant Sustainment					\$23,282
Action 1 - Unique Sustainment Costs					\$437
Action 1 - Future Annual Facilities Insp. Cost					\$1,987
Action 1 - Future Empty Facility Sustainment Cost					\$20,341
Action 1 - Grounds Keeping, Snow Removal, Lighting Maint.					\$2,166
Action 1 - Operation & Maintenance of Sewer System					\$1,903
Action 1 - Operation & Maintenance of Storm Drainage					\$201
Action 1 - Operation & Maintenance of Potable Water System					\$950
Action 1 - Operation & Maintenance of Electrical System					\$2,739
Action 2 - Write-off of Underpreciated Assets					\$71,476
Action 2 - Material Disposition					\$10,945
Action 2 - Non-DERA Environmental Compliance					\$21,192
Question 22: Mission costs:	\$70,200	\$63,375	\$70,200	\$83,850	\$287,625
Question 26: Misc Recurring Costs:					
Action 1 - FECA					\$3,064
Action 1 - Clean Air Act					\$448
Action 1 - Regulatory Water Sampling					\$1,120
Action 1 - Sewer Pretreatment Sampling					\$112
Action 1 - Oil Spill Response					\$336
Action 1 - Spill Prevention Control Insp					\$179
Action 2 - FECA					\$21,100
Action 2 - Moving Contractor Cost to Support Relocations					\$1,860
				GRAND TOTAL	\$576,569

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Chart1

## **Military Construction at Norfolk Naval Shipyard**

Chart 2 details \$32.9 million in military construction at Norfolk Naval Shipyard that would be necessary under scenario DoN-0133. As noted in my appendix, Chart 2 is taken directly from certified data submitted by Norfolk but ultimately excluded by DoD in COBRA under scenario DoN-0133.

Receiving Activity:						
	FAC	UM	New Milcor QTY (SF)	Rehab QTY (SF)	Type	Total Cost
NAVSHIPYD NORFOLK:						
Action 11: Material Storage Facility	4411	SF	500		Default	\$62
Action 2: Material Storage Facility	4411	SF	35,000		Default	\$4,356
Action 2: Renovate Building 1575	6100	SF		20,000	Default	\$1,000
Action 2: Renovate Building 369	6100	SF		50,000	Red	\$7,500
Action 2: Renovate Building 163	6100	SF		133,817	Red	\$20,000
					GRAND TOTAL	\$32,918

Chart 2

## **Receiving Costs at Other Naval Shipyards**

Chart 3 lists \$100.4 million in costs associated with receiving Portsmouth's workload and personnel under scenario DoN-0133. As noted in the appendix to my testimony, Chart 3

is taken directly from certified data submitted by Norfolk and Puget Sound Naval Shipyard but ultimately excluded by DoD in COBRA under scenario DoN-0133.

	2006	2007	2008	2009	2010	2011	TOTAL
NAVSHIPYD NORFOLK:							
One-Time IT Costs	\$0	\$4,100	\$485	\$0	\$0	\$0	\$4,585
Action 11 - NMCI Buildout NMCI Seats \$485							
Action 2 - NMCI Buildout \$4,100							
Misc Recurring Costs	\$5,261	\$85,344	\$0	\$0	\$0	\$0	\$90,605
NAVSHIPYD PUGET SOUND:							
Misc Recurring Costs - Pers Attrit/Training	\$0	\$5,300	\$0	\$0	\$0	\$0	\$5,300
				GRAND TOTAL			\$100,490

### Chart 3

## Correcting COBRA Analysis in Scenario DoN-0133

Before running COBRA with the costs and savings excluded by DoD as detailed above, we first ran the model based on the original DoN-0133 inputs to validate the accuracy and consistency of our data. This run produced the same results as those released in scenario DoN-0133. Chart 4 shows the result of the original DoN-0133 analysis.

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Data As Of 4/26/2005 2:41:22 PM

Department : Navy  
Scenario File : C:\BRAC\COBRA\DON-0133 CR.CBR  
Option Pkg Name: DON-0133 CLOSE PORTSMOUTH NAVAL SHIPYARD CR  
Std Fctrs File : C:\BRAC\COBRA\BRAC2005.SFF

Starting Year : 2006  
Final Year : 2008  
Payback Year : 2012 (4 Years)

NPV in 2025(\$K): -1,262,370  
1-Time Cost(\$K): 448,427

### Chart 4

We then re-ran COBRA to include the costs and cost savings outlined in Charts 1, 2, and 3 by doing the following:

- Add \$260.725 million in one-time “unique costs”, \$287.625 million in Portsmouth efficiency savings, and \$28.218 million in recurring costs on Input Screen Five (NAVSHIPYD Portsmouth, NH (N00102)).
- Add \$32.9 million for military construction at Norfolk on Input Screen Seven (NSY Norfolk, VA (N00181)).
- Add \$100.4 million for costs associated with receiving Portsmouth’s workload and personnel at other naval shipyards on Input Screen Five (NSY Norfolk, VA (N00181) and NAVSTA Bremerton, WA (N32416)).

Chart 5 shows the results of the corrected COBRA analysis after taking the above steps.

Department : Navy  
Scenario File : C:\BRAC\COBRA\DON-0133 Corrected.CBR  
Option Pkg Name: DON-0133 CLOSE PORTSMOUTH NAVAL SHIPYARD CR  
Std Fctrs File : C:\BRAC\COBRA\BRAC2005.SFF

Starting Year : 2006  
Final Year : 2008  
Payback Year : 2042 (34 Years)

NPV in 2025(\$K): 284,896  
1-Time Cost(\$K): 741,978

Chart 5

The following are the results when comparing the results of Charts 4 and 5:

	<u>DoD</u>	<u>Corrected</u>	<u>Difference</u>
<b>Payback Year</b>	2012 (4 years)	2042 (34 years)	30 years
<b>One-Time Cost (\$K)</b>	448,427	741,978	293,551
<b>NPV in 2025</b>	-1,262,370	284,896	-1,547,266

### Conclusion

BRAC Selection Criterion 5 states the following:

DoD will consider “The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.”

Attempting to make a business case in support of its recommendation to close the Portsmouth Naval Shipyard under scenario DoN-0133, DoD excluded in its COBRA analysis \$287.625 million in savings from efficiencies, \$28.218 million in recurring environmental and personnel costs, \$260.725 million in one-time “unique costs” to close Portsmouth, \$100.4 million in receiving costs at other naval shipyards, and \$32.9 million for military construction required at Norfolk. Therefore, by understating the one time cost to close Portsmouth by \$293.551 million, miscalculating the NPV savings in 2025 by \$1.547 billion, and overstating by 30 years the payback period for closing Portsmouth, the DoD substantially deviated from BRAC selection Criterion 5.

Thank you, Mr. Chairman and members of the Commission.

Congressman Jeb Bradley will now discuss the cost of reconstituting Portsmouth’s drydocks and workforce.